

RD AN No. 4155 (4287-B, 1951-E, and 4280-B)

March 22, 2006

SUBJECT: Business and Industry Guaranteed and Direct Loan Programs and Section 9006 Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loan Program - Quarterly Problem/Delinquent Loan Reports

TO: State Directors, Rural Development

ATTN: Business and Cooperative/Business and Community Program Directors

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to provide guidance on the requirements of submitting quarterly delinquency reports to the National Office on all delinquent Business and Industry (B&I) direct and guaranteed borrowers and Section 9006 Renewable Energy Systems and Energy Efficiency Improvements (Section 9006) guaranteed borrowers.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4086 dated May 27, 2005, which expires on April 30, 2006.

IMPLEMENTATION RESPONSIBILITIES:

The State Director is primarily responsible for administering prudent servicing practices in the B&I Direct Loan Program and ensuring that the lender prudently services loans within the B&I or Section 9006 Guaranteed Loan Program.

Reducing the number of problem and delinquent B&I or Section 9006 loans, as well as preventing additional problem and delinquent loans, continues to be a high priority of Business Programs.

EXPIRATION DATE:
March 31, 2007

FILING INSTRUCTIONS
Preceding RD Instructions 4287-B, 1951-E, and
4280-B

All problem loans in excess of the State's loan servicing authority, all delinquent loans, and any loans in bankruptcy are to be reported on a quarterly basis to the National Office using RD Form 4279-16, "Quarterly Problem/Delinquent Loan Report," for each loan. The quarterly reports are due to the B&I or Specialty Lenders Division Servicing Branch (for Section 9006) by the 10th of January, April, July, and October.

The quarterly reports should contain sufficient documentation to provide any reader with an understanding of what has occurred to cause the default and what specific actions are being taken by the lender and/or State Office to service the account. Actions to be initiated should be documented and anticipated completion dates provided.

Also, quarterly reports should be accompanied by GLSR 002, "Guaranteed Problem/Delinquent Servicing Report," and GLSR030, "Direct Delinquencies Report." These reports pull the information by status codes. Also, you should update the NITC side of the Guaranteed Loan Main Menu which is accessed via the GUARLOAN option on the NITC Televue Menu. To ensure that both sides are updated, report GLS2001 should be pulled and compared to the other reports. This report pulls information based on the delinquency amount. It is important that both sides of the NITC and the Guaranteed Loan System (GLS) be updated simultaneously. These reports can be accessed through GLS within the Business Programs Report area and, furthermore, should correlate with the quarterly reports submitted by your office. For this reason, we ask that you review the GLS and NITC to ensure that the status of all B&I or Section 9006 loans in your portfolio are accurately reported. The reports must match! GLS is the official reporting system and absolutely must be accurate. The National Office continues to receive B&I or Section 9006 quarterly reports in which GLRS002 and GLRS030 are not attached. We cannot stress enough the importance of receiving these reports at the time the B&I or Section 9006 quarterly reports are submitted. These GLS reports are time sensitive, and the data cannot be recreated or replicated after the end of the quarterly reporting cycle.

In monitoring your servicing actions, the National Office will continue to pay particular attention to the completion of the quarterly reports submitted. The following considerations must be addressed completely for each case reported:

1. Basic cause of problem/delinquency and covenants in violation.
2. What curative action is being taken; lender's latest action and cooperation.
3. State Office recommendation to eliminate problem/delinquency.
4. Agency's latest action and date of last contact with lender.

In the event that the reports are incomplete or fail to provide a plan of action for eliminating the cause of each of the existing problem/delinquent loans, the reports will be returned for correction and resubmission to the National Office.

We want to reemphasize the importance of actively servicing the loans in your portfolio. The importance of lender and/or borrower visits, spreading and analyzing financial statements, and monitoring lender and borrower activities cannot be over emphasized.

Any decrease in delinquencies is directly attributed to your hard work and vigilant servicing. Please continue to carefully monitor the lender's activities and suggest preventive and curative measures to resolve problems as provided in the governing regulations. Where the Agency is the lender on direct B&I loans, please continue to monitor these cases carefully to ensure that the interest of the U.S. Government is protected.

We appreciate your efforts in servicing B&I or Section 9006 loans. If you have any questions concerning B&I or Section 9006 servicing, please contact your National Office Loan Specialist.

(Signed by Jackie J. Gleason)

JACKIE J. GLEASON
Acting Administrator
Business and Cooperative Programs